EXHIBIT A

EnPro Industries, Inc. (NYSE:NPO)

Earnings Call Transcript

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Call Participants

Executives

Bill Dries
SVP and CFO

Steve Macadam
President and CEO

Don Washington
Director, IR and Corporate Communications

Analysts

Todd Vencil
Davenport & Company

Gary Farber
C.L. King

Ned Borland
Hudson Securities

Joe Mondillo
Sidoti & Company

Presentation

Operator
Good morning. My name is Felicia, and I will be your conference operator today. At this time, I would like to welcome everyone to the EnPro Industries Fourth Quarter and Year-end Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator instructions)

Thank you. Mr. Washington, you may begin your conference.

Don Washington
Director, IR and Corporate Communications

Thank you Felicia, and good morning, everyone. Welcome to EnPro Industries quarterly earnings conference call. In just a moment, Steve Macadam, our President and CEO; and Bill Dries, our Senior Vice President and CFO, will review the results for the fourth quarter and full year of 2010.

But before we begin, I will remind you that our call is being web cast at EnProIndustries.com, where you will also find the slides accompanying the call this morning. You can access the presentation through the web cast link on our homepage. A replay of the call will also be available on the website, as well as slides.

You may hear statements during the course of this call that express a belief, expectation or intention, as well as those that are not historical fact. These statements are forward-looking and involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties are referenced in the Safe Harbor statement included in our press release and are described in more detail, along with other risks and uncertainties, in our filings with the SEC, including the Form 10-K for the year ended December 31, 2009 and Form 10-Q for the quarter ended September 30, 2010.

We do not undertake to update any forward-looking statements made on this conference call to reflect any change in management's expectations or any change in assumptions or circumstances on which such statements are based.

You should also note that EnPro owns a number of direct and indirect subsidiaries. From time to time, we may refer collectively to EnPro and one or more of its subsidiaries as we, or to the businesses, assets and debts or affairs of EnPro or a subsidiary as ours. These and similar references are for convenience only, and should not be construed to change the fact that EnPro and each subsidiary is an independent entity, with separate management, operations, obligations and affairs.

Finally, I want to remind you that comparisons of our financial results for the fourth quarter and full year of 2010 to the comparable periods of 2009 reflect the deconsolidation of Garlock Sealing Technologies LLC, Garrison Litigation Management and their subsidiaries, effective June 5, 2010. GST will be deconsolidated from EnPro's results during the pendency of the Chapter 11 legal proceedings to resolve asbestos claims against it. We refer to this as the asbestos claims resolution process, or ACRP, and you will hear us use that acronym during the call today. Accounting rules don't permit the restatement of prior periods to reflect the deconsolidation.

However, our earnings release and the slides accompanying today's call contain information that we believe will help you to understand the effect of the deconsolidation on our results.

We will conclude the call with a question-and-answer session after Steve and Bill make their remarks. If your questions aren't answered on the call or if you have follow-up questions please contact me at 704-731-1527.

And with that I will turn the call over to Steve.

Steve Macadam
President and CEO

Thank you Don, and good morning to everyone. The fourth quarter was a nice conclusion to a successful year, in which we were able to take advantage of recovering markets and take significant strategic actions that we are confident will benefit the future of our company.

I will spend a few minutes summarizing our progress during the year, and then turn the call over to Bill for a detailed review of our financial performance. A number of important developments occurred during 2010, beginning with the recovery of our markets. As our earnings report indicates, our consolidated sales in 2010 increased by 8% to $865 million, despite that the consolidation of $105 million of GST sales over the last seven months of the year, and flat sales at Fairbanks Morse Engine.

About 3 percentage points of the growth came from acquisitions, so the largest portion was a result of steady strengthening across most of our markets and our commercial excellence initiatives, which are well underway and bearing fruit. Most of our operations including the deconsolidated operations of GST reported strong double-digit growth, which was a nice recovery from 2009, and is a very encouraging sign going into 2011.

The only exception was Fairbanks Morse, and even though sales didn't grow the business turned in record profit in 2010 and won some important contracts that secured new engine business for the future. The profitability of our segments also improved, increasing by 67%. About 25 points of that improvement was from the combination of lower restructuring expenses and acquisitions. So the majority of it came from increased volumes, our continuous improvement programs, and the ongoing benefits of cost reduction we implemented in 2009.

Early in 2010, when we divested Quincy Compressor, we explained our intention to invest the proceeds in acquisitions that would provide opportunities for better returns. In 2010, we closed 4 such acquisitions, and we have closed two more in 2011 with another one announced yesterday and expecting to close shortly. When the pending transaction is completed, we will have fully redeployed the proceeds from the Quincy sale to acquire companies at an average multiple of EBITDA more favorable than the multiple we receive for Quincy. And we will have increased our presence in markets, where we are confident our opportunities for growth and increasing value are much improved.

Certainly the event of 2010 that has the most potential significance to the company was the decision by GST to pursue the ACRP in order to fund a trust to permanently resolve all current and future asbestos claims against it. We believe of fairly valued trust can the established through the Federal Court system, and funded with the assets available to GST at a cost that will be less than the cost to GST of resolving claims in the civil court systems of the individual states.

We also believe the ACRP will provide a final and permanent solution to a situation that has drained resources from GST for more than 25 years, and would have continued to hamstring GST's growth in the future. We are pleased that GST's employees, suppliers, and customers have been supportive of the decision to embark on the ACRP process, thereby enabling GST to be profitable as it continues to operate its business as usual.

We are also pleased that our shareholders have demonstrated confidence and support this decision, and we appreciate the patience and long-term vision that support demonstrates. While we would prefer that the ACRP could move more quickly and be less expensive to litigate, we do see some progress in the case. We note that the stay of prosecution of asbestos claims has enabled GST to improve its cash position by more than $60 million since the ACRP began. We are confident that GST will continue to build cash as it works its way through the process, and that we will eventually reconsolidate the business with considerable equity impact, although of course there can be no assurance of that outcome.

With that, I will turn the call over to Bill to address our fourth quarter results.

Bill Dries
SVP and CFO

Thanks Steve. As Steve said, the fourth quarter was a nice conclusion to the year. Our results in the quarter compare more favorably to the fourth quarter of last year than the numbers seem to indicate. The comparison is obviously impacted by the deconsolidation of GST, but it is also against the strongest quarter of 2009, when our markets had begun to recover and when sales and profits at Fairbanks Morse benefited from substantially higher engine shipments.

We reported sales of $192 million in the quarter, while GST reported additional third-party sales of $45 million. Last year, our consolidated sales of $223 million not only included GST, but also as I said before, the benefit of much higher engine shipments to Fairbanks Morse, which I will explain later.

The effects of foreign exchange and acquisitions on sales were negligible in the comparisons to last year. In summary, the fourth quarter actually continued the trend of strong year-on-year improvements in sales and earnings we've experienced all year. We saw a nice organic growth and increased unit volumes across all of our operations, except Fairbanks Morse. I will talk about this segment individually in a moment.

Looking at gross margins, we reported 36.8% in the fourth quarter of 2010, which is a point higher than the fourth quarter of 2009. Adjusted gross margin to GST, which aren't included because of the deconsolidation were above 40% in the quarter. With the benefit of higher volumes and our continuous improvement programs, we expect to see continued improvement in gross margins in 2011.

Consistent with what we have experienced all year, gross margins benefited from the positive volume leveraged on fixed cost to GGB. They also benefited from a more favorable product mix of Fairbanks Morse, as aftermarket activity accounted for a higher proportion of the sales.

Our reported SG&A spending increased by about $3 million to $63.4 million in the fourth quarter of 2010. The increase in spending was tempered by the deconsolidation of GST. As G&A increased across most of our operations and at corporate, as business conditions and activity levels improved. Corporate costs were higher due to a variety of factors, including increased employee compensation related expenses, largely driven by our improved operating results and acquisition expenses.

Now turning to our segments. Sealing Products segment sales were down 16%, but again the comparison is impacted by the deconsolidation of GST. The segment reported just over $88 million in sales, down about $16 million from the fourth quarter of 2009. However, third party sales at our Sealing Products businesses that were consolidated in both periods actually increased by 25%.

GST had more than $45 million of deconsolidated third-party sales in the 2010 fourth-quarter, as compared to less than $40 million in the fourth quarter of 2009. Despite the deconsolidation, Sealing Products segment profits improved by 15%, to almost $16 million, and the segment's margins improved to 17.9% from 13.1%. The increase was due to significant improvements across-the-board in the profitability of our operations, as well as the lower restructuring costs in 2010.

The Garlock companies that are included in our consolidated results in both periods experienced increased activity in their aerospace markets, where acquisitions have made a nice contribution, and oil and gas markets, which have been active due to the high level of oil prices. Sales in those companies were up 19% compared to last year, and profits increased by almost 50%.

At Stemco, activity in heavy duty truck markets has continued to increase. Sales there were up over 30% compared to the fourth quarter of 2009, and profits doubled. Sales of Stemco's core products to OEM markets were up almost 60%, while aftermarket sales were up to a lesser extent.

Brake products also made a meaningful contribution to the increase in sales in the quarter. We remain bullish on the outlook for Stemco, based in part on the current forecast of trailer builds, which continues to rise, and consistent monthly increases in revenue miles over the past 10 months.

The deconsolidation of GST operations experienced a 14% increase in third-party sales, an increase of almost 20% in operating profits. Improving markets in the United States, particularly in the steel industry, were the primary drivers of the improvement. A slide in the appendix of this morning's presentation compares GST's performance in the four quarter 2010 to the same period in 2009.

Now turning to the Engineered Products segment, sales were up 18% or about $11 million as both GGB and Compressor Products International reported increases. Segment profits were $1.7 million, slightly higher than a year ago. At GGB sales were up 26% before the negative effect of foreign exchange. The growth reflected higher demand from almost all of GGB's markets and in all major regions of the world.

With higher volumes, GGB reported a slight profit after losing money in the fourth quarter of 2009. We have seen a nice improvement at GGB over the past few quarters, and even though results are still far below the peaks that reached in 2008, GGB is clearly on the upswing. We are very encouraged by its steady improvement, and we look forward to continued progress in 2011.

At CPI, sales increased 19% excluding foreign exchange with acquisitions the primary driver of the business' growth. As we saw throughout the year, CPI's core petrochemical markets remain strong, but activity in their natural gas markets was weak. Profits at CPI were down compared to last year primarily because of costs associated with the acquisitions, opening new service centers, implementing a global ERP system, and spending on other growth initiatives, which will (inaudible) to the long-term benefits of the business.

Acquisitions and service centers are key elements of the CPI's growth strategy. As we integrate the acquisitions and open new service centers, this should bring us significant revenue and profit opportunities.

Now turning to the Engine Products and Services segment, sales in this segment were down by 50%. The decline reflects the timing of engine shipments but is in line with the expectations we shared with you earlier in the year. We shipped one engine in the fourth quarter of 2010 compared to 6 in the fourth quarter of 2009.

As you know, most of Fairbanks' new engine customers are shipbuilders and it is their schedules that determine when engines are shipped. Because shipments are based on the timing of customer's needs, they can fluctuate significantly from quarter-to-quarter, as we saw in 2010, when we had customer requests during the course of the year to both accelerate and delay engine shipments that had originally been scheduled for the fourth quarter.

With lower volumes in the fourth quarter, profits and margins declined at Fairbanks. The improvement in gross margins that I mentioned earlier resulted from a more favorable aftermarket mix, although the benefit was more negated by the fact that SG&A expenses did not decline to the same degree of sales.

It is important to look at Fairbanks Morse's over a longer period than a single quarter. So I want to call your attention to the full year of 2010. Sales for the year were comparable to the record levels of 2009, while profit margins were even higher than in 2009 as Fairbanks Morse's backlog grew substantially, ending the year at almost $250 million, about $100 million higher than it was at the beginning of the year.

In addition, Fairbanks has received a couple of orders for new engines in 2011. One order is for two engines that will be completed in 2011, and used in a petroleum pumping system. The other is to supply two engines to the U.S. Navy's Littoral Combat Ship program. These engines are scheduled to be delivered in 2012 for installation in the first ship of a 10 ship series that specifies the use of Fairbanks Morse Engines.

We reported a significant increase in net interest expense to $9.3 million from $2.7 million a year ago. The increase is principally the interest owed to GST of $227 million of intercompany notes. GST's results reflect the corresponding

interest income from these notes. Both the notes and the interest were eliminated in consolidation before the implementation of the ACRP.

GAAP net income in the fourth quarter was $6.3 million compared to a loss of $38.6 million in the fourth quarter of 2009. The loss in 2009 was driven primarily by $94 million of pre-tax asbestos related expenses, which included an adjustment to the 10-year estimate of GST's asbestos liability.

Adjusted for intercompany interest and other selected items, our net income in the fourth quarter of 2010 was $6.4 million. GST's net income, adjusted for intercompany interest income, ACRP-related expenses and other selected items, was an additional $4.6 million. In the fourth quarter of 2009, when GST was included in our consolidated results, adjusted net income was $12.3 million.

However, Fairbanks Morse's after tax contribution to adjusted net income in 2009 was about $3.5 million higher than it was in 2010.

Turning to cash flows, our cash balance grew to $219 million at the end of the year. As you know, we have announced three acquisitions so far in 2011, including two that have already closed, which will reduce the balance by about $155 million. This slide depicts the cash flows for each of EnPro and GST, adjusted to eliminate the intercompany interest and loan payment.

The increase in 2010 primarily reflect a combination of strong free cash flows, proceeds from the sale of Quincy, asbestos-related cash flows and outlays for acquisitions.

Working capital levels increased in 2010 as we experienced higher activity levels in most of our businesses. Capital spending was roughly equivalent in both years. Not included in our consolidated cash balance is $87 million of cash at GST. We expect the balance will continue to grow as GST generates cash during the course of the ACRP.

GST stopped paying to defend and settle asbestos claims on June 4, 2010 when the ACRP was initiated. As a result, as you can see on this slide it actually collected more insurance proceeds in 2010 than it spent during the year on claims, legal fees and ACRP expenses combined. Conversely, in 2009, GST spent about $40 million more on asbestos claims fees and expenses that have been collected from insurance carriers.

That concludes my review. So, I will turn the call back over to Steve.

Steve Macadam
President and CEO

Thanks Bill. Looking forward to 2011, we are encouraged by what we see. We expect markets served by our ceiling products and engineered products segments will continue to grow in 2011, although not as quickly as in 2010 when they were recovering from the depths of the recession.

We expect to benefit from increased industrial production, higher auto builds in both the US and in Europe, and stronger demand from the heavy duty truck industry in North America, healthy energy markets worldwide, and significant operational and commercial improvements from the initiatives underway across the company.

In our engine products and services segment, we expect sales for the full year to be similar to the $166 million this segment reported in 2010. The current schedule calls for Fairbanks Morse to ship a total of 14 new engines in 2011 compared to 12 that we shipped in 2010, with these shipments occurring all in the first and third quarters. As a result, sales at Fairbanks Morse in those quarters are likely to be substantially higher than in the second and fourth quarters.

While we expect margins at Fairbanks Morse to remain attractive, we anticipate the higher engine shipments will result in a less favorable product mix. In addition, Fairbanks Morse's R&D spending is likely to increase as it ramps up the

engineering and testing for technology upgrades designed to improve emissions and efficiency in the large installed base of its engines.

The installed base is an attractive target, and we believe upgrade packages will provide significant future after market opportunities for Fairbanks Morse. We will benefit from acquisitions as well; those we have announced so far this year should add approximately $100 million in sales during the year, although the accretion to earnings will be modest largely due to upfront integration costs. However, as the integration is completed we will recognize the full benefits - as we recognize the full benefits of synergies, we are confident their contribution to earnings will grow in the years beyond 2011.

We hope to complete additional, albeit somewhat more modest bolt-on transactions before the year is out. Our continuous improvement programs are also important to our results. Those programs have enabled us to increase productivity, maintain and improve pricing, and manage the supply chain to our advantage. And we are confident we will continue to do so throughout 2011.

We are excited about all that is under way across the company, and we are optimistic that recovering markets and the improvements we have made in our businesses give us strong momentum for the years ahead. We're off to a very good start in 2011 and are confident that the year will - there will be continued growth and improvement in our results. With that, we can open the lines to your questions.

Question and Answer

Operator
(Operator instructions) Your first question comes from the line of Ned Borland with Hudson Securities.

Ned Borland
Hudson Securities

Hi, good morning guys.

Steve Macadam
President and CEO

Hi Ned.

Ned Borland
Hudson Securities

First question here is on the engine segment, when you say that margins will reflect higher R&D spending, are we looking at a ballpark that is more like mid-teens despite the increased volume in Q1 and Q3, or are we looking at something else?

Steve Macadam
President and CEO

I think we should - we came in for the year little over 20. I mean we will be down probably around 20 maybe in the high-end, maybe high teens.

Ned Borland
Hudson Securities

High teens, okay. All right, so it is not lower than the fourth quarter level margins, it is just lower on a full-year basis?

Steve Macadam
President and CEO

Yes, that is right.

Ned Borland
Hudson Securities

Okay. All right. I just want to clarify that.

Steve Macadam
President and CEO

Again Ned, just to caution, obviously the schedule currently calls for all those engines to ship in the two quarters, the first and third quarter, but that may change. So, in fact, we were supposed to originally ship 4 engines in the fourth quarter of last year and one got pulled forward, we shipped one in Q1 and two shipped already this year. So those can change even 4 to 6 weeks before we ship, and sometimes it will (inaudible) from one quarter to the next.

Ned Borland
Hudson Securities

Okay. Understood, and then on SG&A you called out some things that sort of inflated it a little bit in the quarter, compensation expense, acquisition expense, I guess what were the contributions of those items.

Steve Macadam
President and CEO

Kind of - we had a number of them. They were actually a host of items. They were kind of in the year true ups, a variety of other things. If probably we were at 63 million of SG&A for the quarter, we should have been in the mid-to higher 50s. So, probably $5 million, $6 million.

Ned Borland
Hudson Securities

Okay. And does any of that $5 million to $6 million does that also include some of the service centre opening and the ERP investment that you made for CPI?

Steve Macadam
President and CEO

Yes.

Ned Borland
Hudson Securities

Okay.

Steve Macadam
President and CEO

We should just kind of to help frame it, our SG&A in terms of a run rate, this is pre the acquisitions, probably in the mid-50s. And the recent acquisitions we have announced, because they are heavily loaded particularly with amortization. If you know, there are tangibles and we make conscious decisions to accelerate the write-off of some of these benefits for tax reasons.

They probably ought to add in the $5 million to $6 million range, so I would think that on a kind of normalized quarterly run rate, going forward with the impact of the acquisitions, we should be in the low 60s.

Ned Borland
Hudson Securities

Okay. That is definitely helpful. And then on the organic growth in CPI, it seems like it slowed a little bit sequentially 3Q to 4Q, I seem to remember it was about half of the unit top line growth in 3Q, and now it is mostly acquisition driven top line growth, you know, I guess is it all just the natural gas markets, I mean is something going on there?

Steve Macadam
President and CEO

Yes, no, Ned it is two things. One that businesses is always a little bit seasonal, because typically the second and third quarter are the strongest quarters. And so that is one, and the second is we still are seeing some weakness in some of the gas gathering businesses that that business supports. But we are still actually pretty bullish on the increased use of gas, natural gas; ethane et cetera going into the future and that is why we are still committed to our growth plan in CPI.

We opened three new service centers last year. We will open a couple more this year, and the acquisition that we announced yesterday of Mid Western will go into CPI as well. Now, what Mid Western will help us do up in its - it is also in north-west Canada where we have a big presence in CPI, but Mid Western is more diversified in doing work on more than just the gas - we are more focused, the existing CPI business is more focused on gas compressors up there, and Mid Western is more diversified in other energy markets. So we are hopeful that that will help us and we will be able to have some nice synergy as a result of that.

Ned Borland
Hudson Securities

Okay. And then one final question, just to the extent that you can comment on it, any updates on the ACRP in the quarter?

Steve Macadam
President and CEO

Not really. The thing is the thing moves very, very slow and we actually think although in my remarks, obviously we would love to be done with it and put it behind us, but the simple fact of the matter is as time rolls forward, I believe, our leverage in the case increases because the discovery that we are trying to do in the currently already formed asbestos trust from all the other companies is going to reveal the double dipping behavior that we have continued to allege, and are virtually certain it is going on.

And the more of that that comes to light, I believe the more leverage that we get in the case. So we're really in no hurry. Unfortunately, and I know the Street would like to hear something different and really me as the management team, that the fact of the matter is GST is operating just fine. We have had almost no, (inaudible) really none, and no customer disruptions, employees are going to work. This is everybody in the world realizes that this is just a pure asbestos related strategy because the US tort system is so flawed in how it deals with this issue.

So we had to get in another form or GST would have been at risk. So, anyway, but the thing is moving very, very slow. It is a costly thing to litigate, but it is far less costly than us staying in the tort system. So, we will release things as they come up, but all in all, there has really been no significant developments. It is just lot of legal positioning at this point.

Ned Borland
Hudson Securities

Okay. Thank you.

Operator
Your next question comes from the line of Todd Vencil with Davenport.

Todd Vencil
Davenport & Company

Good morning guys.

Steve Macadam
President and CEO

Good morning Todd.

Todd Vencil
Davenport & Company

Bill, I got a few for you, if we can start there, and just on the housekeeping because we always kind of walk through this, and I want to make sure I have it right. You know, as you know, I always try to look at things as if we reconsolidated the GST businesses in addition to looking at it on a GAAP basis, and basically make sure I got my numbers right. If I take the $0.30 that you reported, the GST operating income looks like it would have been about $0.22 a share, an intercompany note was 19.

There was a $0.24 tax benefit that I want to take out, and then there were some other in restructuring that would add back $0.05. So, I get to an adjusted number on that basis of about $0.52 or $0.53, is my math right on that?

Bill Dries
SVP and CFO

Actually, it is working well.

Todd Vencil
Davenport & Company

Fantastic. Okay, good. And then, again just to make sure that I understand what you guys are presenting, there is what I think is a new schedule, I might have missed it before. Were you talking about cash flow in the last schedule in the press release with 184.2 in pro forma, $1 million of cash flow during the year, and then 45.3 million from GST. Then GST is not in that pro forma number, correct?

Bill Dries
SVP and CFO

They are in pro forma.

Steve Macadam
President and CEO

Right. It is prepared on the same basis as above. So, the EnPro number, basically the EnPro number just eliminates the impact of the intercompany interest and loan payments, and so that is what EnPro standalone would have produced for the year.

Todd Vencil
Davenport & Company

Okay. So, if we were reconsolidated, none of this ever happened, it would have been almost $230 million of cash flow from the re-consolidated company.

Bill Dries
SVP and CFO

Your calculator is working well again.

Todd Vencil
Davenport & Company

Fantastic. Okay. So, on the sort of SG&A comments that you made before, I wanted to kind of tease it out a little bit in a different way, and I apologize for going over some of the same ground, but if I look at the corporate expenses, the way you guys are breaking them out sort of below the segment line, the expense was 12.4 million in the quarter, it had been running more like 8.

Can you tell me how much was sort of related to acquisitions or sort of temporary or one time things in the quarter of that 12.4?

Bill Dries
SVP and CFO

Yes, we had I would say most of the delta you are seeing, you see between a 2009 number and a 2010 number, were like what I would consider, we would consider to be kind of a non-recurring or discrete unusual nature.

Todd Vencil
Davenport & Company

So, maybe if I think of it an $8 million to $9 million per quarter number going forward, is that kind of a good…

Steve Macadam
President and CEO

Yes, we actually anticipate - we have been able to do some things, we actually anticipate being a little lower at that. But basically entire delta as I said is big as what we have considered to be kind of an unusual.

Todd Vencil
Davenport & Company

Got it. Perfect. So, continuing to follow that thread, turning to the CPI then, or I'm sorry turning to the engineered products, and thinking about the gross spending for acquisitions and ERP and you mentioned one other thing, what was it - the service centers at CPI, can you talk about how much that was in the quarter?

Bill Dries
SVP and CFO

To quantify, in terms of the total, publicly is $3 million to $4 million roughly is my guess. I'm not sure of that. But that is roughly my guess.

Todd Vencil
Davenport & Company

Okay.

Bill Dries
SVP and CFO

Let me - I will just give you Todd again, just to give you some perspective, again on this whole issue of the impact of the acquisitions. Steve alluded in his remarks to the fact that the contributions are modest primarily because of some of the growth initiatives and when we look at the acquisitions, we won't realize the full benefit of the synergies this year. We have got some upfront costs that we will spend, and the full benefit of three years of programs really won't be reflected until after this year, as we get in and integrate.

But we just - we went and looked at CPI in particular. You raise that question, and I'm trying to give you some sense of the impact of the acquisitions there. We have made a series of acquisitions, and we have intentionally structured them in a way to accelerate the write-off of some of the intangibles over a much shorter period of time, because it will translate into real cash savings and tax benefits.

Again that comes at a cost in the short-term anyway to earnings, but we went back and I asked them just to put together to two last recent acquisitions, the lubrication companies [ph] we bought in September of last year and the Mid Western deal we just announced yesterday. And I said, just to kind of layout what you would see, what our operating margins kind of budgeted for combined between those two entities in 2011, and roughly combined it is about 5%.

So to go back and add back these expenses that we have intentionally are accelerating for tax purposes, add those back, and what would that give us? And that would get us up to close to 13%. And then when you add in the fact that obviously when we acquire these companies because of the nature of the companies, the technology involved, we end up allocating a lot of our purchase price to intangibles that are written off over a period of time, usually a longer period of 5 to 10 years.

But that is new amortization that wasn't there before. So if we added that back as well, where would that get us, and that would get us to almost 18%. So, you can see that there is a significant impact at CPI, aside from the cost that we have referred to in terms of opening up service centers, and ERP system, there is a significant impact in terms of the cost and what we reflect in our reported results, but again primarily driven by the desire to save and realize cash savings, cash taxes.

So, I think that although CPI's margins are depressed, we still are very, very optimistic about that business. We see a lot of potential and a lot of promise there. We think ultimately you know, once we get through these we expect the cost of spending now that we will revert back to the margins we have traditionally seen in this business, which is high teens.

Todd Vencil
Davenport & Company

That is incredibly helpful, and just so as I think about that when you think about the difference between that 5% margin and the 18% margin, one being reported another sort of being normalized out sort of accelerated expenses, what kind of timeframe would that normalize out?

Bill Dries
SVP and CFO

Well, the 5 to the 13, we would normalize that over a two-year timeframe.

Todd Vencil
Davenport & Company

Okay.

Bill Dries
SVP and CFO

And the 13 to 18 is the longer 5 to 10 year time frame.

Todd Vencil
Davenport & Company

Okay. Got it. And then, so as I think about so must take that and maybe layer it together for all of engineered products, and think about what kind of I mean are we going to be looking and believe me, I thoroughly accepted the notion that we're going to get back over sort of the longer-term to historically high levels of margin, but as we look at the next say couple of years, are we going to see, would you expect to see maybe a steady growth up to throw the high single-digits from - I'm looking at an adjusted number the way I did it of 5.6% operating margin in that segment this year, you know from breakeven last year, should we be looking for something in the high teens to maybe 10% by 2012?

Bill Dries
SVP and CFO

Yes, I mean I see, you know, I haven't laid it out and quantified it by year, but I see us continuing to grow obviously GGB, has come a long way. They have lost a substantial amount of money a year ago. GGB because of its high fixed cost base levers very well, and so volume works wonders there. And so we continue to get volume at GGB which again you know, our recent experience there has been very encouraging.

So we continue to generate some volumes there. We've got a lot of good of these continuous improvement initiatives on the way there as well, and we get through these early parts with CPI. My own personal view is you may be on the low side, but I don't want to go out on a limb, but we would expect to see continuation and an improvement.

On the other hand, keep in mind again we're - we've been fairly acquisitive, and we'll continue to be fairly acquisitive, one of CPI's core strategies is to grow through acquisitions and new service centers. So we will continue to incur expenses associated with opening. Steve mentioned before that I think we opened three last year. We've got two or three in the hopper for 2011. So we'll continue to incur those costs as well but clearly they'll you know, as I said well north of the long-term benefit of the division in the company.

Todd Vencil
Davenport & Company

It will still presumably be accretive to the bottom line, even if at a lower percentage margin, right?

Bill Dries
SVP and CFO

Oh yes.

Todd Vencil
Davenport & Company

Okay, final sort of category from me, thinking about the M&A, but more to the point the balance sheet, you guys are putting a fair amount of cash to work as you note here in the quarter, and I note that your revolver is in April, can you talk about where we're - where you are I guess on getting that sort of renewed, and what kind of size you are looking for, and then relatedly, you mentioned bolt-ons, but I mean what would be the source of if you need to go beyond, do you think you might need to go beyond cash and go into the revolver, or use some other capital source?

Bill Dries
SVP and CFO

You are right, Todd. The existing revolver expires in April. We've been actively involved in discussions with the banks. We anticipate renegotiating and turning the revolver over in short order sometime within the next month or two. We are and will look to upsize the revolver from the 60 million. We are still not locked in on the number yet, but it will probably be north of 100 million, and you know, obviously that will be used for short-term cash needs and to the extent that you know, we get involved in financing any of the smaller acquisitions that will certainly come into play.

But you know, even having said that and even having spent $155 million in the first couple of months this year, we - you know, our core businesses still generate a fair amount of cash, and it wouldn't surprise me quite frankly if we were - we would be able to continue to finance you know, the growth prospects to the balance of this year. You know, as Steve said we're looking at probably more modest size bolt-ons that we've done in the past. I wouldn't be surprised if we continue to be able to finance those out of our existing cash flow.

Todd Vencil
Davenport & Company

Perfect. Thanks a lot.

Steve Macadam
President and CEO

Todd, we continue to look at some deals that are a little bit larger, but quite frankly the ones that are larger, are typically auctions that are run by banks, and you know, gosh I don't think we've ever - pretty sure that since EnPro was founded I know this is true since I have been here in the last three years, we've done you know, 20 some odd deals and not one of them has been in the competitive process, including the three that we just announced. I mean we - the competitive processes that get run tend to be so pricey. We've never been able to get there.

Now that said if, you know, but we do still continue to look at them and participate from time to time, and if there were one that were just kind of an out of the park strategic fit, maybe we would pay up for it a little bit in which case there might be a different scenario but that's not - that would be on a purely opportunistic basis. Our core strategies to continue to execute bolt-ons that fit very well with the businesses that we have that provide either new products new geographic access, new technology, you know, some kind of real synergy, and you know, negotiate them kind of off the radar screen of the competitive process so that we can buy them at a reasonable multiple, and that's how our strategy - what it has been and that's what it continues to be at this point.

Todd Vencil
Davenport & Company

Great thanks for that a lot.

Steve Macadam
President and CEO

Okay.

Operator
Your next question comes from the line of Gary Farber with C.L. King.

Gary Farber
C.L. King

Yes. Hi, good morning.

Steve Macadam
President and CEO

Hi Gary.

Gary Farber
C.L. King

Just a couple of questions, I think you had said earlier in a conference, we talked about gross margins, and you felt they would be better this year versus last year?

Steve Macadam
President and CEO

Yes.

Gary Farber
C.L. King

And I'm wondering can you quantify that at all, I mean…

Steve Macadam
President and CEO

Gary, you know, we don't provide guidance.

Gary Farber
C.L. King

Well, you can always start. I mean it's - you did - I mean you are doing above like 37%.

Steve Macadam
President and CEO

We are 37% this year, and we feel we'll do better than that next year.

Bill Dries
SVP and CFO

As you know, I mean there it is no secret that there is a lot of pressure on commodities and input pricing. Fortunately, we're still in a position where we feel like frankly because of all the work we've done, getting better at how we price and understand prices and so forth that we are able to pass that through. And we've got a very, very good supply chain team that's able to work on, you know, a number of different initiatives and try to contain that although it's really tough. I mean we've got you know, global shortages and increased prices in a number of commodities. So - but all in all when you roll that together we are pretty confident we'll be able to increase our gross margins this year as well. So -

Gary Farber
C.L. King

And you would think that's mostly happening in the last three quarters, the first quarter was very high. You would think that's more like…

Bill Dries
SVP and CFO

Quarter to quarter comparison? Are you talking about…

Gary Farber
C.L. King

Yes, just sort of wanted - do you think it's sort of evenly spread out that that's going to be up every quarter or you think it is more back-end weighted.

Bill Dries
SVP and CFO

Gosh, I don't have what it was last year in front of me, quarter-to-quarter.

Steve Macadam
President and CEO

I think that, typically you will see that the higher activity quarters will have better margin because of the absorption of fixed costs, and the first half is usually better than in terms of pure activity levels, the first half is normally higher for us than the second half.

Gary Farber
C.L. King

Great, okay.

Steve Macadam
President and CEO

I don't think you're going to see a dramatic change from quarter to quarter.

Gary Farber
C.L. King

Okay. All right, that's very helpful. And then just on some of these acquisitions you've done, particularly the bigger ones when do you think you know, the operating leverages going to become pretty apparent in the results. Is it going to be gradual or is it going to be, you know, two or three quarters out it's really going to show up.

Steve Macadam
President and CEO

I think it'll begin to show up in our numbers. I think it will begin to show up in our numbers, about 12 months from now, really. I mean, we've got a lot of work - we're going to be - we are going to actually be consolidating facilities, and so forth in some of these and because of what Bill said, so there are significant upfront costs and then the way we do the amortization et cetera, but I think you know, certainly 9, 12 months from now we should be done you know, done with heavy lifting of the integration and really starting to see the benefits.

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I'm pretty confident of that. These are very nice fits for us Gary. I mean, it's - I wish we had more time to talk about each one individually that we've just done this year but you know, in our teams because of the work we've done in the past few years, building capability and developing our approach, I mean, we're able to get in and pretty aggressively do the integration work and also get continuous improvement, efforts launched in each of the acquired facilities, and that's going to have a big benefit for us. So, these are not businesses that we don't know. They're not businesses that we don't - that don't have a good fit. So we're able to move out pretty quick. So -

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Gary Farber
C.L. King

Right, and then I guess just lastly, you know, historically I think the peak sort of organic revenue growth rate was sort of like in the high single digits. You've been growing at a very, you know, well in excess of that. I'm just sort of wondering when you layer in these acquisitions, do you think you can sort of exceed at some point, you know, the historical peak would sort of seemed high single digits. Can we think about the organic growth rate being greater than that when these acquisitions as you said you know, pretty much layer right on top of your businesses?

Steve Macadam
President and CEO

Yes, I don't know, that's tough. We - it's hard to think about - you and I can talk about this at some point. It's hard to think about the company as a whole because each business is so different. As you know, the Stemco business has had phenomenal growth but you know, the North American trucking industry was so depressed, but we're still not even I don't think we're even mid cycle in the trucking industry.

We might be approaching mid cycle, but we still got a lot of recovery to go in Stemco, and as we shared with you guys on a number of times that the acquisitions that we've done and partnerships and joint ventures that we've done have really raised the addressable market as we look at it for the Stemco business from what had previously been a couple of hundred million dollars to you know, four times that. Just in terms of the addressable market from a product standpoint of what we do. So it's hard to even benchmark Stemco from an organic growth standpoint from where it was you know, three or four years ago.

It's a different business. We literally this year in the plan, I bet you 30% to 35% of the sales are going to be from products that we didn't even sell three years ago. So that is Stemco. So you go the cycle in there. Then when you look at Garlock in total right, remember only half of Garlock is in the ACRP. The half that's not in the ACRP is primarily our high performance seal business, which has made some significant acquisitions to help us grow in the aerospace world, and again these are products that we didn't even sell in markets that we didn't even have much of our presence in before.

So I'm actually very bullish about the potential but it's hard to - it's hard to know because we kind of look at it on an individual business basis, the strategy - the only business where the growth is going to be sticky is FME, but quite frankly you know, we have won some really important contracts. Bill mentioned the backlog and we continue to participate in these you know, nuclear power bids. We got the first big contract at South Texas. You know, so we got a lot of good activity going on.

We're doing some - a lot of work in the aftermarket trying to gain back our natural share there from our installed base, which is extensive. So you know, even at Fairbanks, which will be continue to be more lumpy, I'm pretty optimistic about our growth there too, and that's probably the one where we are the most challenged.

Bill Dries
SVP and CFO

Let me just, one last item Steve just kind of help Gary put history in perspective. We as a company have grown - we've averaged 10% growth a year, compounded annual growth from the 2003 to the 2010 period, about half of that is pure organic growth, about five points. The other half is pretty well split evenly between acquisitions and the impact of foreign exchange. So you alluded to high single digits organic growth before. I mean, over that period of time that 6 to 7 year period of time we've averaged about 5%, which is consistent with what we've always said which we're at GDP plus business, and so that's pretty much in line with and that's where that comes from.

Gary Farber
C.L. King

Right. It sounds like though - you can correct me if I'm wrong - it sounds like excluding engine though, excluding the acquisitions you should be able to grow above that 5% rate in the near term, if you're that early in the recovery in some of these businesses. Is that a fair way to think about how things are going to play out?

Bill Dries
SVP and CFO

I think it's fair.

Gary Farber
C.L. King

Okay, and then just the last thing is the tax rate, if you could just give us some thoughts of how to think about the tax rate.

Bill Dries
SVP and CFO

Sure, as you can well imagine, I'm sure you guys can see in the numbers that it bounces around quite a bit. Our - the tax rate on our normalized earnings in 2010 was a little over 30, about 30.5 thereabouts. We were able to realize some benefits late in the year actually doing some - repatriating some earnings and taking the advantage of the foreign tax credits before the law changes that makes it more difficult to use them, and we would anticipate the rate to increase next year, about 33%, 34%, probably closer to 34%. Now we're still working on some things. We may - we've got a couple of projects going that may come to fruition, and may help us to knock that down, but for internal budgeting purposes we're at 34% through 2011.

Gary Farber
C.L. King

Okay, great. Thanks again for all your answers.

Operator
Your next question comes from the line of Joe Mondillo with Sidoti & Company.

Joe Mondillo
Sidoti & Company

Good morning guys.

Steve Macadam
President and CEO

Hi Joe.

Joe Mondillo
Sidoti & Company

I was wondering, first question just had to do with the acquisitions, and you say modest growth for this year. I was wondering is that just talking about the first three acquisitions that you made this year or does that include any of the acquisitions that you made a couple in the second half of last year. I was wondering what -

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Steve Macadam
President and CEO

Yes, the comment - we said we anticipated the acquisitions we've just completed to make a modest contribution that the company - we already made $25 million, $26 million worth of acquisitions in 2010. So yes that'll contribute for sure, but just this year’s size it's not going to be a significant number.

Joe Mondillo
Sidoti & Company

Okay.

Steve Macadam
President and CEO

So again we were referring to the three acquisitions we just closed or just announced, and again as I said before there is a fair amount of you know, upfront integration costs associated with those, and we won't get the full benefit of those synergies. Steve mentioned before when asked when we thought we've got to see that leverage, and I think sometime in 2012 is the right way to look at it.

Joe Mondillo
Sidoti & Company

Okay, and then on the engine business, it sounded like you're pretty excited to see how the orders were trending, and you mentioned that the backlog at the end of 2010 was much stronger than 2009. You gave sort of guidance for 2011, but I was wondering at this point where you see the orders, what you've seen in - where you see the backlog right now, any idea on what 2012 will look like compared to ’11, does it look like with those nuclear orders, and a couple of orders that you got in the fourth quarter that 2012 could be a stronger year.

Steve Macadam
President and CEO

I don't remember off the top of my head the number of engines that would ship in 2012 based on the current orders.

Bill Dries
SVP and CFO

Actually at this point, I think we've got a total engine backlog probably in the mid-30s, and as we said before 14 will go in 2011. Again just you got to keep in mind the way a lot of these things are funded. They don't - you don't - it maybe a 20-year program but you don't get 20 years worth of orders. They do it on a year-by-year basis. Quite frankly what we have in backlog right now engine wise for 2012 is almost meaningless, because we anticipate building that backlog throughout 2011 for 2012 delivery.

Joe Mondillo
Sidoti & Company

How long are these lead times, would there be any engines that are supposed to be shipped in 2013?

Bill Dries
SVP and CFO

Sure. I mean, as I said we've got the mid-30s number of engines in our backlog at the end of the year, 14 we'll ship in 2011. So the balance of them will be spread over the following two or three years.

Joe Mondillo
Sidoti & Company

Okay.

Bill Dries
SVP and CFO

That's a small fraction of what we would expect…

Steve Macadam
President and CEO

And Joe, that's not an unusual - fine, that's how we're going into every year.

Bill Dries
SVP and CFO

That is a very common pattern.

Joe Mondillo
Sidoti & Company

Sure, sure. Just trying to get an idea what the long-term sort of you know, growth rate looks like.

Steve Macadam
President and CEO

Yes, we're pretty excited about Fairbanks and its prospects, and then I think that there is a lot of opportunity, particularly on the nuclear side and we remain very optimistic about it.

Joe Mondillo

Sidoti & Company

Because remember there is the - we're a licensed manufacturer for MAN, and we're allowed to go after two markets with this license, one is the US Government, which is obviously the Navy and the Coast Guard and then the other is land-based nuclear power facilities in the United States. Well, last 30 years one of those markets had done a thing and now they're starting to do some. So that will supplement the market that we have been participating in. So and we're pretty well positioned in that market. So, you know, and then we're doing a bunch of stuff to try to grow our presence in the aftermarket, and that's beginning to pay off as well.

So you know, again the Fairbanks is kind of a unique business, and as Bill said in the script that we continue to try to reiterate, you know, you can't really look at it on a quarter-to-quarter basis because I mean, it's less than the $200 million business, and you ship, you know, just a few engines in one quarter. It might even be the last week of the quarter. So it's just very, very lumpy. So you really have to look at it you know, over a year and not get too excited when FME has a good quarter or not so good quarter. So -

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Joe Mondillo
Sidoti & Company

Okay, thanks. And then just on the sealing segment, you know, sequentially you didn't see that seasonal tick down that we might have expected in the fourth quarter that sometimes we usually do. I was wondering just if you could talk about the margins in that business, you know, you saw a tick down in the margin. So was that product mix, and just looking forward you know, you're at roughly you know, 18.5% to 13% in the second and third quarter. What are you thinking about margins in 2011 as a whole?

Bill Dries
SVP and CFO

I think that again that has been, and will continue to be our highest margin business with the activity levels and the demand we see. I see that we should continue to be able to maintain those high teen margins. We are better I think on the level of volume, you know, I think that again just the core, the nature of those businesses, they're primary aftermarket related. Some of the - you know, Steve said before that we can't get to get into the details - we don't have the time right now but you know, couple of these acquisitions we just made, that we just announced. That is Stemco and Garlock, you know, again just help us further in terms of penetrating and growing the aftermarket, and so you know, there is no reason to believe that we should not continue to be able to operate at very high teen margin business.

Joe Mondillo
Sidoti & Company

And the margin that you saw on the fourth quarter was that, just on a sequential basis was that a product mix issue or -

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Bill Dries
SVP and CFO

Well, we're down with - down less than a point right. I don't have an answer. I mean it's not something that kind of

caught our attention there or kind of set any alarm bells off, it's kind of we are consistently as I said in that 17%, 18%, 19% range. There's nothing of note that drove that.

Joe Mondillo
Sidoti & Company

Okay. Also with the Garlock, I was wondering if you could tell me what the gross profit and SG&A was if you have that.

Bill Dries
SVP and CFO

Of GST, of the deconsolidated entity.

Joe Mondillo
Sidoti & Company

Yes, the deconsolidated, yes.

Bill Dries
SVP and CFO

Our gross margins are north of 40, or about 40, and we disclosed the operating margin in the press release, our calculator is working here, but it's probably in the high teens.

Joe Mondillo
Sidoti & Company

Okay, and then what was the asbestos insurance at the end of the year?

Steve Macadam
President and CEO

What do you mean, what we collected or -

Joe Mondillo

Sidoti & Company

No what the balance is on the balance sheet.

Bill Dries
SVP and CFO

Well, again it's not on our balance sheet, remember.

Joe Mondillo
Sidoti & Company

I mean, Garlock's balance sheet, sorry.

Steve Macadam
President and CEO

It's about 170.

Bill Dries
SVP and CFO

About 170 million.

Joe Mondillo
Sidoti & Company

Okay. Okay. I think that's about it. Thanks a lot.

Steve Macadam
President and CEO

Okay, Joe. Yes.

Operator
Your last question comes from the line of Todd Vencil with Davenport.

Todd Vencil
Davenport & Company

Hi, thanks. I had a couple of quick follow-ups. You've talked about the 100 million of revenues from three acquisitions so far this year. Can you split those up by segment for me perhaps, roughly.

Steve Macadam
President and CEO

Yes, it's probably 80-20, 80 sealing.

Todd Vencil
Davenport & Company

Got it. And then can you remind me the number of engine shipped by quarter in 2010 or tell me because I don't know.

Steve Macadam
President and CEO

Well, I will tell you what. I'm going to give you that answer.

Todd Vencil
Davenport & Company

Fantastic.

Steve Macadam
President and CEO

We had two in the first quarter, eight in the second quarter, one in the third quarter, and one in the fourth quarter.

Todd Vencil

Davenport & Company

And you said that they are all in 2011, anticipated at this point to be in the first and the third quarters?

Steve Macadam
President and CEO

That is right.

Bill Dries
SVP and CFO

That is right.

Todd Vencil
Davenport & Company

They are split evenly.

Steve Macadam
President and CEO

Yes, about even, right.

Todd Vencil
Davenport & Company

Okay, and are we - can you talk about the average ticket on those things that you are seeing and are expecting?

Steve Macadam
President and CEO

Well, it is hard to - the average almost doesn't mean anything Todd. Depending on the engine, the size of the engine, they usually run anywhere between $2 million to $5 million a copy.

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Todd Vencil
Davenport & Company

Got it. Okay. That is enough to play around with anyway. Thanks a lot.

Steve Macadam
President and CEO

All right. Thank you everyone. That will conclude our call this morning. We appreciate your attention. We appreciate you dialing in and your questions, and if you have any follow ups, please don't hesitate to give me a call, 704-7311-527. We will look forward to talking to you next quarter.

Operator
Thank you. This concludes the EnPro Industries fourth quarter and year-end results conference call. You may now disconnect.

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